RBI's control over Liquidity Management

4250. SHRIMATI N.P. DURGA: Will the Minister of FINANCE be pleased to state:

(a) what instruments the RBI is using to manage liquidity in the system in the light of increased foreign institutional investment inflow;

(b) whether it is a fact that RBI had taken measures earlier to control liquidity management; and

(c) if so, the details of the earlier plans and the results thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S. S. PALANIMANICKAM): (a) Reserve Bank of India is continuously using Open Market Operations including Liquidity Adjustment Facility, (LAF), Market Stabilisation Scheme (MSS) and Cash Reserve Ratio for the management of liquidity.

(b) and (c) Yes, Sir. The details of above schemes and their results are given below:

(i) Open Market Operations–

Year	Amount (in crores)
2001-02	35419
2002-03	53780
2003-04	41849
2004-05	2899

(ii) Liquidity Adjustment Facility : With the introduction of MSS in April, 2004 under LAF, absorption of average outstanding amount of liquidity decreased from Rs. 75218 crores in April 2004 to Rs. 20809 crores in March, 2005. At present, LAF scheme is operationalised through fixed Repo rate and Reverse Repo.

(iii) Market Stabilisation Scheme: Under this scheme, total absorbed outstanding amount is Rs. 64211 crore as at the end of March, 2005.

(iv) Cash Reserve Ratio: CRR has been increased from 4.5 per cent to 5 per cent in two stages by increasing 0.25 percentage point for each fortnight beginning from 18th Sept., 2004 and 2nd October, 2004.

Avenues of FDI from Mauritius

4251. SHRIMATI SUKHBUNS KAUR: Will the Minister of FINANCE be pleased to state:

(a) whether the recent visit of the Prime Minister of Mauritius has opened up large avenues of Foreign Direct Investment;

(b) if so, the details of FDIs from that country during the last five years and the annual average of FDI received; and

(c) how far it is likely to increase further and in what areas such FDI is expected?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S. S. PALANIMANICKAM): (a) The recent visit of the Prime Minister has lead to further confidence building measures for foreign investors.

(b) Details from Mauritius during the last five years is as under:—

(Amount Rs. in crores)

Year	Amount
2000	2958.78
2001	7045.36
2002	5340.58
2003	1693.52
2004	3301.44
TOTAL	20339.68
Annual Average	4067.93

(c) It is likely to increase in sectors such as I.T., Civil Aviation, Cement, Telecommunications, Township, Housing, Built up Infrastructure and Construction development projects.